

# International Financial Reporting Standards (IFRS) basis results

## Summary consolidated income statement

	2008 £m	2007** £m	2007** £m
	Half year	Half year	Full year
Earned premiums, net of reinsurance	8,926	7,903	18,188
Investment return <sup>note C</sup>	(9,752)	8,258	12,225
Other income	453	1,094	2,457
Total revenue, net of reinsurance <sup>note C</sup>	(373)	17,255	32,870
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	1,479	(14,177)	(26,785)
Acquisition costs and other operating expenditure	(1,763)	(2,350)	(4,859)
Finance costs: interest on core structural borrowings of shareholder-financed operations	(82)	(88)	(168)
Total charges, net of reinsurance <sup>note C</sup>	(366)	(16,615)	(31,812)
(Loss) profit before tax ( <i>being tax attributable to shareholders' and policyholders' returns</i> ) <sup>* note C</sup>	(739)	640	1,058
Tax attributable to policyholders' returns	637	15	5
(Loss) profit before tax attributable to shareholders <sup>note D</sup>	(102)	655	1,063
Tax credit (expense) <sup>note E</sup>	625	(219)	(349)
Less: tax attributable to policyholders' returns	(637)	(15)	(5)
Tax attributable to shareholders' (loss) profit <sup>note E</sup>	(12)	(234)	(354)
(Loss) profit from continuing operations after tax <sup>note C</sup>	(114)	421	709
Discontinued operations (net of tax) <sup>note N</sup>	–	241	241
<b>(Loss) profit for the period</b>	<b>(114)</b>	<b>662</b>	<b>950</b>
Attributable to:			
Equity holders of the Company	(116)	661	947
Minority interests	2	1	3
<b>(Loss) profit for the period</b>	<b>(114)</b>	<b>662</b>	<b>950</b>

## Earnings per share (in pence)

	2008	2007**	2007**
	Half year	Half year	Full year
Basic (based on 2,465m, 2,437m and 2,445m shares respectively):			
Based on (loss) profit from continuing operations attributable to the equity holders of the Company <sup>note F</sup>	(4.7)p	17.2p	28.8p
Based on profit from discontinued operations attributable to the equity holders of the Company	–	9.9p	9.9p
	(4.7)p	27.1p	38.7p
Diluted (based on 2,466m, 2,440m and 2,448m shares respectively):			
Based on (loss) profit from continuing operations attributable to the equity holders of the Company	(4.7)p	17.2p	28.8p
Based on profit from discontinued operations attributable to the equity holders of the Company	–	9.9p	9.8p
	(4.7)p	27.1p	38.6p

\* This measure is the formal (loss) profit before tax measure under IFRS but is not the result attributable to shareholders.

\*\* To reflect the principles of IFRIC 14, the Company has altered its accounting policy for pension schemes, with consequential changes to the comparative results for 2007. Note O explains the effect of the change.

### Dividends per share (in pence)

	2008	2007	2007
	Half year	Half year	Full year
Dividends relating to reporting period:			
Interim dividend (2008 and 2007) <sup>note G</sup>	5.99p	5.70p	5.70p
Final dividend (2007)	–	–	12.30p
Total	5.99p	5.70p	18.00p
Dividends declared and paid in reporting period:			
Current year interim dividend	–	–	5.70p
Final dividend for prior year	12.30p	11.72p	11.72p
Total	12.30p	11.72p	17.42p

# International Financial Reporting Standards (IFRS) basis results

continued

## Consolidated statement of changes in equity

	Period ended 30 June 2008 £m							
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Shareholders' equity	Minority interests	Total equity
<b>Reserves</b>								
Loss for the period			(116)			(116)	2	(114)
Items recognised directly in equity:								
Exchange movements				32		32		32
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale								
Unrealised holding losses arising during the period					(774)	(774)		(774)
Less net losses included in the income statement on disposal and impairment					97	97		97
					(677)	(677)		(677)
Related change in amortisation of deferred income and acquisition costs					244	244		244
Related tax				14	148	162		162
Total items of income and expense recognised directly in equity				46	(285)	(239)		(239)
Total income and expense for the period			(116)	46	(285)	(355)	2	(353)
Dividends			(304)			(304)		(304)
Reserve movements in respect of share-based payments			14			14		14
Change in minority interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds							(6)	(6)
<b>Share capital and share premium</b>								
New share capital subscribed	1	136				137		137
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(126)	126					
<b>Treasury shares</b>								
Movement in own shares in respect of share-based payment plans			6			6		6
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			(8)			(8)		(8)
Net increase (decrease) in equity	1	10	(282)	46	(285)	(510)	(4)	(514)
At beginning of period:								
As previously published	123	1,828	4,440	(112)	(78)	6,201	102	6,303
Effect of accounting policy change for pension schemes to reflect the principles of IFRIC 14 <sup>note O</sup>			(139)			(139)		(139)
After change of accounting policy	123	1,828	4,301	(112)	(78)	6,062	102	6,164
At end of period	124	1,838	4,019	(66)	(363)	5,552	98	5,650

**Consolidated statement of changes in equity**  
continued

	Period ended 30 June 2007 £m								
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Hedging reserve	Shareholders' equity	Minority interests	Total equity
<b>Reserves</b>									
Profit for the period			661				661	1	662
Items recognised directly in equity:									
Exchange movements				(21)			(21)		(21)
Movement on cash flow hedges						(3)	(3)		(3)
Unrealised valuation movements on securities classified as available-for-sale of discontinued banking operations					(2)		(2)		(2)
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale									
Unrealised holding losses arising during the period					(287)		(287)		(287)
Less net gains included in the income statement on disposal and impairment					(3)		(3)		(3)
					(290)		(290)		(290)
Related change in amortisation of deferred income and acquisition costs					120		120		120
Related tax				(12)	59	1	48		48
Total items of income and expense recognised directly in equity				(33)	(113)	(2)	(148)		(148)
Total income and expense for the period			661	(33)	(113)	(2)	513	1	514
Dividends			(288)				(288)		(288)
Reserve movements in respect of share-based payments			9				9		9
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and other consolidated investment funds								(38)	(38)
<b>Share capital and share premium</b>									
New share capital subscribed	1	116					117		117
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(115)	115						
<b>Treasury shares</b>									
Movement in own shares in respect of share-based payment plans			11				11		11
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			1				1		1
Net increase (decrease) in equity	1	1	509	(33)	(113)	(2)	363	(37)	326
At beginning of period:									
As previously published	122	1,822	3,640	(125)	27	2	5,488	132	5,620
Effect of accounting policy change for pension schemes to reflect the principles of IFRIC 14 <sup>note O</sup>			(64)				(64)		(64)
After change of accounting policy	122	1,822	3,576	(125)	27	2	5,424	132	5,556
At end of period	123	1,823	4,085	(158)	(86)	0	5,787	95	5,882

# International Financial Reporting Standards (IFRS) basis results

continued

## Consolidated statement of changes in equity continued

	Year ended 31 December 2007 £m								
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Hedging reserve	Shareholders' equity	Minority interests	Total equity
<b>Reserves</b>									
Profit for the year			947				947	3	950
Items recognised directly in equity:									
Exchange movements				11			11		11
Movement on cash flow hedges						(3)	(3)		(3)
Unrealised valuation movements on securities classified as available-for-sale of discontinued banking operations					(2)		(2)		(2)
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale									
Unrealised holding losses arising during the year					(231)		(231)		(231)
Less net gains included in the income statement on disposal and impairment					(13)		(13)		(13)
					(244)		(244)		(244)
Related change in amortisation of deferred income and acquisition costs					88		88		88
Related tax				2	53	1	56		56
Total items of income and expense recognised directly in equity				13	(105)	(2)	(94)		(94)
Total income and expense for the year			947	13	(105)	(2)	853	3	856
Dividends			(426)				(426)	(5)	(431)
Reserve movements in respect of share-based payments			18				18		18
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and other consolidated investment funds								(28)	(28)
<b>Share capital and share premium</b>									
New share capital subscribed	1	181					182		182
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(175)	175						
<b>Treasury shares</b>									
Movement in own shares in respect of share-based payment plans			7				7		7
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			4				4		4
Net increase (decrease) in equity	1	6	725	13	(105)	(2)	638	(30)	608
At beginning of year:									
As previously published	122	1,822	3,640	(125)	27	2	5,488	132	5,620
Effect of accounting policy change for pension schemes to reflect the principles of IFRIC 14 <sup>note O</sup>			(64)				(64)		(64)
After change of accounting policy	122	1,822	3,576	(125)	27	2	5,424	132	5,556
At end of year	123	1,828	4,301	(112)	(78)	0	6,062	102	6,164

## Summary consolidated balance sheet

	2008 £m	2007* £m	2007* £m
	30 Jun	30 Jun	31 Dec
<b>Assets</b>			
Intangible assets attributable to shareholders:			
Goodwill	1,341	1,341	1,341
Deferred acquisition costs and other intangible assets	3,290	2,693	2,836
Total	4,631	4,034	4,177
Intangible assets attributable to the PAC with-profits fund:			
In respect of acquired subsidiaries for venture fund and other investment purposes	174	1,145	192
Deferred acquisition costs	18	40	19
Total	192	1,185	211
<b>Total</b>	<b>4,823</b>	<b>5,219</b>	<b>4,388</b>
Other non-investment and non-cash assets:			
Property, plant and equipment	1,038	1,107	1,012
Reinsurers' share of insurance contract liabilities	971	1,092	783
Deferred tax assets	1,250	699	951
Current tax recoverable	244	332	285
Accrued investment income	2,209	1,980	2,023
Other debtors	1,108	2,013	941
Total	6,820	7,223	5,995
Investments of long-term business and other operations:			
Investment properties	13,529	14,149	13,688
Investments accounted for using the equity method	16	14	12
Financial investments:			
Loans	8,719	5,441	7,924
Equity securities and portfolio holdings in unit trusts	75,876	83,819	86,157
Debt securities	83,806	80,211	83,984
Other investments	4,528	6,737	4,396
Deposits	8,194	7,519	7,889
Total	194,668	197,890	204,050
Held for sale assets	–	286	30
Cash and cash equivalents	4,844	4,500	4,951
<b>Total assets</b> <sup>note H</sup>	<b>211,155</b>	<b>215,118</b>	<b>219,414</b>

# International Financial Reporting Standards (IFRS)

## basis results

continued

### Summary consolidated balance sheet continued

	2008 £m	2007* £m	2007* £m
	30 Jun	30 Jun	31 Dec
<b>Equity and liabilities</b>			
<b>Equity</b>			
Shareholders' equity <sup>note J</sup>	5,552	5,787	6,062
Minority interests	98	95	102
<b>Total equity</b>	<b>5,650</b>	<b>5,882</b>	<b>6,164</b>
<b>Liabilities</b>			
Policyholder liabilities and unallocated surplus of with-profits funds:			
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)	169,113	170,038	176,390
Unallocated surplus of with-profits funds	12,560	14,396	13,959
<b>Total</b>	<b>181,673</b>	<b>184,434</b>	<b>190,349</b>
Core structural borrowings of shareholder-financed operations:			
Subordinated debt	1,603	1,492	1,570
Other	923	921	922
<b>Total<sup>note K</sup></b>	<b>2,526</b>	<b>2,413</b>	<b>2,492</b>
Other borrowings:			
Operational borrowings attributable to shareholder-financed operations <sup>note L</sup>	2,908	2,605	3,081
Borrowings attributable to with-profits funds <sup>note L</sup>	937	2,122	987
Other non-insurance liabilities:			
Obligations under funding, securities lending and sale and repurchase agreements	5,053	4,381	4,081
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	3,755	3,406	3,556
Current tax liabilities	952	1,033	1,237
Deferred tax liabilities	2,843	3,573	3,402
Accruals and deferred income	773	477	599
Other creditors	1,956	2,029	1,020
Provisions	488	503	575
Other liabilities	1,641	2,260	1,871
<b>Total</b>	<b>17,461</b>	<b>17,662</b>	<b>16,341</b>
<b>Total liabilities</b>	<b>205,505</b>	<b>209,236</b>	<b>213,250</b>
<b>Total equity and liabilities<sup>note H</sup></b>	<b>211,155</b>	<b>215,118</b>	<b>219,414</b>

\* To reflect the principles of IFRIC 14, the Company has altered its accounting policy for pension schemes with consequential changes to the comparative results for 2007. Note O explains the effect of the change.

## Summary consolidated cash flow statement

	2008 £m	2007* £m	2007* £m
	Half year	Half year	Full year
<b>Cash flows from operating activities</b>			
(Loss) profit before tax from continuing operations <i>(being tax attributable to shareholders' and policyholders' returns)</i> <sup>note i</sup>	(739)	640	1,058
Profit before tax from discontinued operations <sup>note N</sup>	–	222	222
Total (loss) profit before tax	(739)	862	1,280
Changes in operating assets and liabilities <sup>note ii</sup>	1,236	366	551
Other items <sup>note ii</sup>	(325)	(764)	(693)
Net cash flows from operating activities	172	464	1,138
<b>Cash flows from investing activities</b>			
Net cash flows from purchases and disposals of property, plant and equipment	(55)	(137)	(170)
Acquisition of subsidiaries, net of cash balances <sup>note iii</sup>	–	(77)	(77)
Disposal of Egg, net of cash balances <sup>note iv</sup>	–	(538)	(538)
Disposal of other subsidiaries, net of cash balances <sup>note iii</sup>	–	157	157
Deconsolidation of investment subsidiaries <sup>note v</sup>	–	–	(91)
Net cash flows from investing activities	(55)	(595)	(719)
<b>Cash flows from financing activities</b>			
Structural borrowings of the Group:			
Shareholder-financed operations: <sup>note vi</sup>			
Redemption	–	(150)	(150)
Interest paid	(91)	(104)	(171)
With-profits operations: <sup>note vii</sup>			
Interest paid	(9)	–	(9)
Equity capital: <sup>note viii</sup>			
Issues of ordinary share capital	10	1	6
Dividends paid	(177)	(171)	(255)
Net cash flows from financing activities	(267)	(424)	(579)
Net decrease in cash and cash equivalents	(150)	(555)	(160)
Cash and cash equivalents at beginning of period	4,951	5,071	5,071
Effect of exchange rate changes on cash and cash equivalents	43	(16)	40
<b>Cash and cash equivalents at end of period</b> <sup>note ix</sup>	<b>4,844</b>	<b>4,500</b>	<b>4,951</b>

\* To reflect the principles of IFRIC 14, the Company has altered its accounting policy for pension schemes, with consequential changes to the comparative results for 2007. Note O explains the effect of the change.

# International Financial Reporting Standards (IFRS) basis results continued

## Summary consolidated cash flow statement continued

### Notes

- i This measure is the formal (loss) profit before tax measure under IFRS but is not the result attributable to shareholders.
- ii The adjusting items to profit before tax include changes in operating assets and liabilities, and other items comprising adjustments in respect of non-cash items, including operational interest receipts and payments, dividend receipts, and tax paid. The figure of £(325) million for other items at half year 2008 includes tax paid of £(325) million with other items netting to nil. The most significant elements of the adjusting items within changes in operating assets and liabilities are as follows:

	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year
Deferred acquisition costs (excluding changes taken directly to equity)	(464)	(277)	(353)
Other non-investment and non-cash assets	(742)	(644)	(122)
Investments	9,166	(7,189)	(11,730)
Policyholder liabilities (including unallocated surplus)	(9,194)	7,040	11,845
Other liabilities (including operational borrowings)	2,470	1,436	911
Changes in operating assets and liabilities	1,236	366	551

- iii Acquisitions and disposals of subsidiaries shown above for 2007 include venture fund and other investment subsidiaries of the PAC with-profits fund.
- iv The amount of £(538) million in respect of the disposal of Egg in 2007, net of cash balances, represents the net sale proceeds of £527 million less cash and cash equivalents of £1,065 million held by Egg and transferred on disposal.
- v In November 2007, the Company sold its venture fund management subsidiary, PPM Capital. As a result of the arrangements attaching to the sale, it is no longer appropriate to consolidate the holdings managed by that company.
- vi Structural borrowings of shareholder-financed operations consist of the core debt of the holding company and Jackson surplus notes. Core debt excludes borrowings to support short-term fixed income securities programmes and non-recourse borrowings of investment subsidiaries of shareholder-financed operations. Cash flows in respect of these borrowings are included within cash flows from operating activities.
- vii Structural borrowings of with-profits operations relate solely to the £100 million 8.5 per cent undated subordinated guaranteed bonds which contribute to the solvency base of the Scottish Amicable Insurance Fund (SAIF), a ring-fenced sub-fund of the PAC with-profits fund. Cash flows on other borrowings of with-profits funds, which principally relate to venture fund investment subsidiaries and other consolidated investment vehicles, are categorised as operating activities in the presentation above.
- viii Cash movements in equity capital exclude scrip dividends.
- ix Of the cash and cash equivalents amounts reported above, £361 million (half year 2007: £377 million, full year 2007: £339 million) represents cash and cash equivalents of the holding company and central finance subsidiaries.